



TITLE:

# A Dynamic Bumiputera Commercial and Industrial Class?: A Mismatch with Market Rationality

AUTHOR(S):

Lim, Lrong

---

CITATION:

Lim, Lrong. A Dynamic Bumiputera Commercial and Industrial Class?: A Mismatch with Market Rationality. 東南アジア研究 2000, 37(4): 443-457

ISSUE DATE:

2000-03

URL:

<http://hdl.handle.net/2433/56727>

RIGHT:

## **A Dynamic Bumiputera Commercial and Industrial Class?: A Mismatch with Market Rationality**

Lrong LIM\*

### **Abstract**

This paper examines why a dynamic Bumiputera Commercial and Industrial Class (BCIC) has generally failed to emerge despite decades of high profile governmental efforts. It was found that governmental training programs, political interventions as well as Malay culture have not been compatible with market rationality.

### **I Introduction**

Malaysia at the dawn of independence in 1957 faced a most pressing problem in the ethnic imbalance of wealth distribution and participation in the economy. Throughout British rule, Malays primarily worked in the traditional sector<sup>1)</sup> (and later, in the public sector as well) whereas immigrant Chinese and Indians largely concentrated on the modern economic sector.

The government began to seriously tackle the problem with the launching of the New Economic Policy (NEP) in 1970 [Malaysia 1971: chapter 1]. This policy had the overriding goal of achieving national unity through poverty eradication<sup>2)</sup> and social restructuring. The latter was to be attained through (a) restructuring in employment (b) restructuring in ownership of wealth and (c) creation of Bumiputera Commercial and Industrial Class (BCIC)<sup>3)</sup> [Mohd Yusof 1987: 102].

This paper focuses mainly on the creation of BCIC.<sup>4)</sup> The reason is that the BCIC creation represents the pinnacle of all NEP-related goals [*Information Malaysia Yearbook* 1996: 477]. It is the key to the future of not only Bumiputeras but also of Malaysia if she is to become an economically energetic nation.

---

\* Department of Business Administration, Kagawa University, 2-1 Saiwai-cho, Takamatsu 760-8523, Japan (Visiting Researcher, Center for Southeast Asian Studies, Kyoto University, May 1998–February 1999)

1) See Gullick [1985] and Norazit [1986] for some Malay commerce in history.

2) Supposedly the more crucial but rather neglected of the two goals. See Ikemoto [1985] and Mehmet [1986] who both suggested that the Malay rich-poor gap has widened due to the NEP.

3) The term “BCIC” became popular after 1991 [Norfadzillah 1994: 9]. “Bumiputera” (son of the soil) includes the Malays, the aborigines (such as Jakun, Senoi, Temiar and Semang), and the indigenous groups in Sabah (such as Kadazan) and Sarawak (such as Iban) [Ali 1981: 5]. This paper focuses on Malays, who are the largest group among the Bumiputeras. See also Nagata [1974], Siddique [1981] and Torii [1997: 213] for more intricacies of the term “Bumiputera.”

4) For Chinese businesses and politics, see Gomez [1999], Hara [1991], Heng [1992], Jesudason [1989: chapter 5], and Searle [1999: part 3].

The institutional changes<sup>5)</sup> brought about by the NEP opened up unprecedented opportunities and incentives for Bumiputeras [Gomez 1990: 4]. Prior to these, Malay under-development was perceived to be the consequence of structural impediments erected by non-Malays<sup>6)</sup> [Snodgrass 1980: 124]. Thus, blessed with an abundance of opportunities, a rapid emergence of a dynamic BCIC was expected.

However at the end of the NEP in 1990, the government acknowledged that “Malays have not yet achieved a standard of development that will enable them to compete well with the other communities in the country, or with the rest of the world...” [*New Straits Times*, 12th May 1989, quoted in Means 1991: 270]. This failure<sup>7)</sup> was also acknowledged by the Malaysian Institute of Economic Research which said that “the program of creating a bumiputera commercial class... was a definite failure... what was created instead is a rentier entrepreneurial class” [Aznam and McDonald 1989: 30]. Recent press releases<sup>8)</sup> echoed these admissions by stating that the BCIC was still vulnerable, lacked self-sustaining power, and was still in need of government assistance in light of the on-going economic downturn [Abdul Razak 1998].

The works of numerous scholars such as Tham [1977], Gale [1981], Mehmet [1986], Yoshihara [1988], Jesudason [1989], Crouch [1996], Gomez and Jomo [1997], and Sloane [1999] revealed the general failure of past efforts to create a dynamic BCIC. One dissenting view is that of Searle [1999: 1] who said that “a form of capitalism nevertheless appears to be emerging in Malaysia that is remarkably dynamic, vibrant and resilient, despite its ‘unorthodox’ origins.”

Tapping the wealth of literature in this area, this paper argues that although the goal of creating the BCIC is desirable, the efforts to accomplish it so far have largely ignored or have not appropriately integrated market rationality. This argument is carried out through the examination of three areas: entrepreneurial training, political interventions and Malay culture.

“Market rationality” is used in a broad context. Basically, Malaysia professes to be committed to a generally free market economy. Within this context, Bumiputera enterprises aiming to be dynamic and self-sustaining must independently make decisions that are compatible with competition and profit maximization.

Before proceeding further, it is imperative to acknowledge the progress made by Malays, especially in ownership and employment. While the 20.3%<sup>9)</sup> ownership attained in 1990 fell

5) For example, the 1974 Petroleum Development Act aimed to regain control over oil resources [Jesudason 1989: 168–169] while the 1975 Industrial Coordination Act intended to enforce ownership and employment restructuring [*ibid.*: chapter 5; Yasuda 1991]

6) One Malay structural impediment, however, was the “economic” oppression of Malay rulers who confiscated private property at will [Alatas 1977: 137–140].

7) As Goh [1958: 5] predicted decades ago, “at best... entrepreneurs of a lesser caliber... at worst... a rentier class whose contributions are nominal....”

8) A most significant statement by the prime minister revealed that the current economic crisis has practically made the BCIC disappeared, reducing them to “low-paid workers, hawkers and petty traders” [*Business Times*, 6th October 1999]. If the prime minister was not exaggerating, this confirms the BCIC’s weakness because it takes only *one* economic crisis to destroy 30 years of efforts.

9) This figure was criticized to be understated [Faaland *et al.* 1990: 141–143; Crouch 1996: 212; Mehmet 1986: 103; Jomo 1990: 160]. The revised Seventh Malaysia Plan reported that bumiputera corporate ownership fell to 19.4% in 1998 from 20.6% in 1995 [*Straits Times*, 13th October 1999].

short of the 30% target, it was a big achievement considering the mere 2.4% Malay ownership in 1970. Malays also managed to secure their proportionate share in most job categories [Onozawa 1991 : 327].

Nevertheless, these figures say little about the competitiveness of the BCIC. As a matter of fact, there is a lack of “competitive discipline” among BCIC. Since there were not many reported cases of “self made” successful Bumiputeras,<sup>10)</sup> it follows that the BCIC has not been a viable *class* yet.

We need to heed Gill’s [1985 : 101] advice against sweeping generalizations. As Searle [1999 : 174] pointed out, there are dynamic entrepreneurs such as Tan Sri Azman Hashim,<sup>11)</sup> Tan Sri Shamsuddin Abdul Kadir and a few others<sup>12)</sup> who successfully “built self-sustaining and enduring economic bases” in various industries after receiving some initial assistance from the government. Unfortunately, these entrepreneurs are rare exceptions [Gomez and Jomo 1997 : 51].

## II Training Mismatch

First, government efforts aimed at training entrepreneurs and managers are examined. With regard to the former, unmotivated trainees, under-qualified trainers and ineffective training agencies revealed a mismatch between efforts and goals. On the training of professional managers, the lack of accountability for financial performance drew a similar outlook on why a dynamic BCIC was not attained.

### II-1 *Small-scale Entrepreneurs*<sup>13)</sup>

The Malaysian government believes that it can nurture entrepreneurs given the right environment [Malaysia 1971 : 158]. But even though government training agencies were established in as early as the 1950s to train small-scale entrepreneurs, past efforts have met with little success [*Information Malaysia Yearbook* 1996 : 386].

A major reason for this is unmotivated trainees. Popenoe [1975 : 335] noted that Malays are frequently forced to enter business when they do not perform well in school. Those who perform well in school prefer to seek secure and prestigious jobs in the civil service. Nagata [1972 : 1141] called the former option the “last resort” alternative because those people do not

---

10) The two Malays who received the “Entrepreneur of the Year” award by 1985, Tunku Imran and the now bankrupt Datuk Syed Kechik [Heng 1992 : 128] are/were from the royal and political backgrounds respectively [Yoshihara 1988 : 169, 172]. Tun Daim Zainuddin who was honored as “Father of Malay Entrepreneur Development” by UMNO Youth in 1998 [*New Straits Times*, 9th January 1999] is a powerful businessman-politician aligned with the establishment.

11) Azman Hashim’s Arab Malaysian group suffered considerably in the current crisis. The group is now repaying the money it borrowed from the government [*Business Times*, 9th October 1999].

12) See Sloane’s [1999 : 201] “approximately a dozen men . . . who were real entrepreneurs.”

13) Many small-scale entrepreneurs trained by Majlis Amanah Rakyat (MARA, People’s Trust Council) and other agencies are “pasar malam” (night market) types who set up bazaar stalls at specific times of the week at specific town locations.

qualify for the more desirable occupations in the civil service. A preparatory step they take before entering business is to enroll in government sponsored training courses. Because such training courses precisely cater for them, there is no problem in enrolment. Little regard is paid to their qualifications or entrepreneurial aptitude<sup>14)</sup> as they are needed simply to fill the vacancies [Norfadzillah 1994: 418].

The second problem is the under-qualification of many trainers. According to Norfadzillah [*ibid.*: 219, 407], some programs at the training centers do not even have a single MBA (Master of Business Administration) staff, and the majority of them do not possess any business experience. The trainers are mainly B-grade officers with mere diplomas obtained from Mara Institute of Technology. As a result, trainers cannot be effective [*ibid.*: 389].

The third problem is related to training agencies. As many as 27 training agencies, housed in 13 ministries, compete one another to “catch” trainees for their courses. Although the Ministry of Entrepreneur Development was established in 1995 to streamline the wasteful overlap of functions, coordination remains a formidable task [*Information Malaysia Yearbook* 1996: 477].

Training agencies also suffer from an absence of specific quantitative targets such as the number of entrepreneurs to train or assist. Their effectiveness is further thwarted by a lack of innovation in updating training machinery and course modules. On top of these, agencies risk their credibility by conferring certificates of completion even on trainees who failed to attend courses regularly [Norfadzillah 1994: 292–294, 408–411].

The consequence is the inability of candidates to function effectively as independent entrepreneurs. For their business failure, they blame “situational factors” [Tham 1977: 287] such as the difficulty in obtaining capital<sup>15)</sup> and business premises, extreme business rivalry and sabotage from Malay or non-Malay competitors,<sup>16)</sup> unreliable workers, and difficulty in establishing business contacts [Chee, Puthuchearu and Lee 1979: 122–127; Norfadzillah 1994: 400].

## II-2 *Middle-class Professional Managers*<sup>17)</sup>

An early idea of using public corporations to train Malay professional managers came from Wheelwright [1965: 111]. The premise was that, with commercial goals solidly entrenched, public enterprises were to double as training centers for Malay managers.

14) Since 1991, there has been “talent-spotting” efforts to “tighten” the criteria to recruit only “the most serious candidates” [Norfadzillah 1994: 418].

15) According to the Malaysian Youth Council, these difficulties (such as financial aid availability, the high interest rates charged, and the excessive red tape in application procedures) still exist [*New Straits Times*, 11th November 1998].

16) The smaller Malay businesses have added competition from public enterprises such as PERNAS or MARA to their list of complaints [Gale 1981: 186; Lim, M. H. 1985: 51], confirming their phobia for competition.

17) This group roughly coincides with the “politico-entrepreneurs” and “bureaucratic entrepreneurs” of Sieh [1992: 115–121].

However, public corporations often have difficulties resolving seemingly conflicting goals [Jomo 1995: 44]. For instance, in the 1970s, PERNAS (a major public corporation set up to enhance the position of Bumiputeras) oscillated between operating on a strictly commercial basis and satisfying social objectives such as the training of Malay managers [Gale 1981: 88]. This state continued through the 1980s with some politicians (rather than the managers) arguing for the primacy of profits while other politicians pushed to prioritize social goals. Eventually, social objectives were accepted as the primary goal [Jesudason 1989: 100].

Emphasis on profits is difficult anyway since the government is not strongly interested in the profit performance of public corporations. Jomo [1995: 44] noted that “monitoring and evaluation of public enterprises performance was virtually non-existent until the mid-1980s, and continues to remain weak and superficial.” He added that as large enterprises became larger, they tended to become even less accountable to external supervision. Furthermore, it was even harder to monitor the performance of the so-called off-budget enterprises. The reason was that these enterprises were not subjected to regular federal and state budgetary controls [Mehmet 1986: 133; Supian 1988: 121].

To run public companies, Malay “managers” are seconded from the civil service. Although these people are technically able and knowledgeable [Jesudason 1989: 86], they nonetheless have little experience in managing commercial enterprises. When “pitted against seasoned professionals,” they merely function as “rubber stamps,”<sup>18)</sup> “not being able to voice their views at board meetings” because they “are often unaware of business realities and of a very competitive market” [Hing 1986: 165].

As a result, the financial performance of public enterprises were very shoddy. Adam and Cavendish [1995: 25] pointed out that approximately 40% to 45% of all public enterprises were unprofitable (that is, “sick” or “weak”) throughout the 1980s, with almost 25% of them having negative shareholders’ funds, a condition which they described as unlikely to be sustainable under private ownership. Supian [1988: 122] also pointed out that “out of a total of about 900 public enterprises, the Ministry of Public Enterprises only reported annual returns for 269 enterprises in 1984, which recorded an accumulated loss of RM137.3 million.”

The reality is that managers have not been effective in responding to market forces. Under normal circumstances, managers would take up challenges and work for the viability of their corporations. In the process, they hone their managerial skills. Unfortunately, the lack of accountability for financial performance coupled with superficial monitoring by the government failed to provide a right environment for managerial training. Their lack of skills over a prolonged period of time have even been used to justify their reliance on external consultants [Raja Mohammed 1978: 52]. As a consequence, Malay managers lost valuable training opportunities.

---

18) See also Lim’s [Lim, M. H. 1981: 69] “functional” directors who were sought after for their “special” experience and political connections with ministries.

### III Politics over Business

This section examines the link between elite politicians and a select group of businessmen.<sup>19)</sup> For one thing, the preponderance of political patronage<sup>20)</sup> has weakened the potential of Bumiputeras to emerge as resilient businessmen. For another, the much-touted privatization program<sup>21)</sup> was used merely as an extended tool for political patronage.

#### III-1 *Political Patronage in Business*

The “informal patron-client system of power” [Means 1991: 41] traces its origins to the powerful local chiefs of the sultanate era [Gullick 1988: 49, chapter 5; Gale 1981: 16]. In the modern era, UMNO<sup>22)</sup> is able to execute patronage in a sustainable manner due to its dominant political position.<sup>23)</sup>

For the well connected<sup>24)</sup> “businessmen” whom Yoshihara [1988: 3] would call ersatz capitalists (crony capitalists and bureaucratic capitalists ... political leaders, their sons and relatives, and royal families), the rewards obtained through exclusive political access crystallize in the form of “not only protection from foreign competition, but also concessions, licenses, monopoly rights, and government subsidies (usually in terms of low-interest loans from government financial institutions).”

Firmly buoyed by state regulatory power which frequently invokes the NEP social restructuring goal, these arbitrarily hand-picked capitalists engage in “paper entrepreneurship,” relentlessly pursuing opportunities for acquisitions, mergers, restructuring, and leveraged buy-outs [*ibid.*: 4]. In the process, through using cheaply borrowed money with minimum risks [Jesudason 1989: 105] often furnished by government-controlled banks [Gomez and Jomo 1997: 51], they buy company shares at below market prices only to resell them to non-Bumiputeras at market rates [Crouch 1996: 213].

Many rentiers also waste their accumulated wealth on opulent consumption. Malay businessmen enter businesses as a “quick means to a high consumption life-style” [Jesudason

19) Since the 1980s, government policies have come to favor this group of large businesses over smaller ones. This group also includes some non-Bumiputera businessmen [Gomez and Jomo 1997: 49, 137].

20) Patronage occurs where “different social sectors possess different resources required for production, and where production cannot take place without asymmetrical reciprocities in which resources are put together” [Levinson and Ember 1996: 905].

21) Some notable examples of the privatization program are the award of the first private television broadcasting license to Sistem Televisyen Malaysia, the gambling operations Sports Toto and Big Sweep lottery, the North-South Highway project, the Indah Water Konsortium national sewerage project, the Bakun hydroelectric dam project, and the Food Industries of Malaysia Berhad [See Jomo 1995: 45–48].

22) UMNO or United Malays National Organization has been the dominant partner of the 14-party ruling coalition (Barisan Nasional) since 1957.

23) This dominance comes from superior political strategies such as gerrymandering, forming multi-communal alliances, and controlling and mobilizing government media devices during elections to solicit votes from particularly the rural Malay electorate [Crouch 1992: 28–29].

24) For example, Lim revealed that 50% of the Malay directors in his sample have political or civil service backgrounds while almost 20% are from the aristocratic class [Lim, M. H. 1981: 54, 56].

1989: 104] featuring the display of luxury goods as objects of prestige such as exquisite mansions, sophisticated furniture, trendy attire, and fancy cars [Chandra 1986: 70].

When investments are made, they are usually not long term investments in the unprotected international export sector [Gomez and Jomo 1997: 51]. Instead, the investments are short-termed, and are usually concentrated in the protected domestic sector. These businessmen tirelessly pursue rent-seeking opportunities in businesses,<sup>25)</sup> paying scant attention to relatedness to the present business, prior experience, or expertise.

The combination of state protection from foreign or domestic competition and the privileged access to business licenses and funds through political connections made life easy for some Malay businessmen. However, the isolation from market forces coupled with the speed in which the companies rise in the corporate world<sup>26)</sup> means that businessmen shun the discipline of the market that calls for slow accumulation of managerial experience through learning-by-doing [*ibid.*: 27].

### III-2 *Privatization: More of the Same*

The premature privatization program [Horii 1991: 308] did little to spark a reversal in the distortions. Although the government extolled the virtues of privatization,<sup>27)</sup> its implementation left much to be desired to create a strong BCIC. Transparent tender processes are desirable in any form of privatization such as the sale of state enterprises or the sub-contracting of activities previously monopolized by public enterprises [Jomo, Adam and Cavendish 1995: 82–83].

However, privatization in Malaysia was implemented to be consistent with the tenets of NEP-styled social restructuring [Mahathir 1984: 5]. Under this ever-paramount directive, the winners were not chosen based on competitive basis but were handpicked by the ruling elite based on political consideration. Jomo [1995: 45–48] noted that when there were tender processes, either the lucky company had not submitted the best offer in terms of cost, or they were awarded on a “first-come-first-served” basis, thus nullifying the very principle of the tender process. Moreover some of the winners were either inexperienced in the field (such as Maju Holdings in steel manufacturing) or were ailing companies (such as United Engineers Malaysia Berhad in 1987).

The political environment that dictated the mode of business transactions before privatization merely extended its “tentacles” to privatization. With little prior technical expertise, the “successful” companies could do little but to sub-contract their projects wholly or in part to others who are better qualified.

---

25) Such as real estate, housing construction, agricultural land development, tin mining, stockholding business, lease business, insurance, tourism, publishing, information, communication, financing, banking, and securities trust business [Horii 1991: 304].

26) For instance, the UMNO linked company Renong was just a minor publicly listed company in 1990, but rose almost instantly to become a huge conglomerate after purchasing the assets of two other major UMNO sponsored concerns, Fleet Holdings and Hatibudi [Crouch 1996: 216].

27) Such as the reduced burden on government funds, increased efficiency and profitability of the privatized firms [Mahathir 1984: 5].



In the case of joint-ventures, the parties that can do the job are usually foreign partner companies. In principle, the manner of business conduct is not much different from that in Ali-Baba<sup>28)</sup> companies that had plagued Malay enterprises for decades [Lim, M. H. 1985: 51]. Due to the incompetence of Bumiputera partners, joint ventures are controlled by foreign partners, especially so if technology is involved.<sup>29)</sup> The latter consign Bumiputeras to rudimentary and obsolete technology [Jomo 1990: 138].

It is apparent that the political elite in Malaysia is holding her economy in hostage. Businessmen who succeed by virtue of political connections are not able to sharpen their business skills because on the one hand, it is not required of them to do so, and on the other hand, they simply have little or no felt need to do so. As a result, they spend their resources refining their skills to “become power brokers and influence peddlers” [Malek 1987, quoted in Faaland *et al.* 1990: 195]. Their business fortunes are therefore heavily dependent on the political fortunes of their patrons.<sup>30)</sup>

In the latest economic downturn, the hand-picked big Malay businessmen are facing insolvency problems. Many of these companies are currently seeking controversial bailouts from the government. The government’s decision to proceed with the bailouts merely postpones the problems [*Time*, 15th June 1998]. Under such setting, it is difficult to imagine an emergence of a strong BCIC.

#### IV Culture’s Incompatibility

There are two ways whereby culture can act as a constraint on the development of a dynamic BCIC. At the “micro” level, individual traits are not very compatible with entrepreneurial dynamism. At the societal level, Malays believe that business successes are contingent upon politics.

##### IV-1 *Culture at the Individual Level*

Malay economic weakness was often attributed to their cultural traits. Among the frequently quoted are Swettenham’s [1955: 136] Malay indolence; Mahathir’s [1970] Malay in-breeding [p.29], fatalism [p.158], and the inability to place a value on time [p.163], property, and money [p.169]; Senu *et al.*’s [1971, quoted in Chandra 1979: 94] Malay weaknesses such as

28) A business partnership prevalent in timber, saw milling, and mining concerns whereby the sleeping Malay “Ali” merely secures government assistance while the Chinese “Baba” actually manages the business. Interestingly, the previously negative attitude toward Ali-Babaism has taken on a positive turn as Malays gain more confidence in joint venturing with non-Malays [Mohd Fauzi 1988: 141; Torii 1997: 236].

29) Besides technical dependence, Khor [1983] introduced three other dependencies; direct ownership, trade, and finance.

30) Businessmen who support the “wrong” camp in power struggles see their businesses fizzle while those supporting the winning camp see their businesses grow. This is illustrated by the 1987 “battle royal” [Shamsul 1988: 172] and the current fallout of the former deputy prime minister, Datuk Seri Anwar Ibrahim.

the lack of initiative, curiosity, rationality, original thought, imagination, realism, self-confidence, industry and seriousness; Tham's [1977: 162] Malay conservativeness in thought, lack of industry, neglect, entrepreneurial incompetence, fear, especially in taking risks, satisfaction with minimal success, and even shyness; and Parkinson's [1975] Malay attitude of resistance to change.

While it is tempting to indict Malay culture for having a depressing effect on Malay economic development, the argument somehow gets relegated to shaky ground when examined closer from at least three fronts. The first is that not all Malays share the same cultural attributes. There are many "types" of Malays with differing degrees of evidently similar cultures; the aristocracy with its royal and non-royal components, the commoners, and "foreign Malays" [Roth 1980: 1]. While taking great pains to rebut the sweeping misconceptions of Malay cultural traits, Alatas [1977: chapters 10 and 11] proposed that there are in fact two contradictory value systems in Malay society.<sup>31)</sup>

The second counter-point is that cultural attributes may not be static. It is possible that some cultural traits mentioned are not relevant anymore due to the impact of urbanization and modernization. Indolence and the resistance to change, for example, can hardly be accepted as general characteristics. More damaging is the lack of theoretical and concrete support for arguments on "weak" Malay cultural attributes. In this aspect, Hofstede [1991] has attempted to fit in his generic national culture model into Malaysia although empirical tests for validity are still needed [Lim, L. 1998].

Despite these opposing arguments, the direct relationship between Malay cultural attributes and their inability to emerge as an independent force in the commercial arena remains a stubborn issue. This is illustrated by the 1982 government-initiated Look East Policy<sup>32)</sup> which aimed to infuse the so-called Japanese ethic consisting of company loyalty, hard-work, dedication, self reliance, determination, discipline, punctuality, and initiative, into Malay workers [Jomo 1985].

The "haunt" continues into the 1990s as the government told Malays to cultivate "proper work attitudes and positive values such as integrity, discipline, punctuality, loyalty to the company, diligence, dedication and hard work" [Malaysia 1991: 178; quoted in Norfadzillah 1994: 284]. Such government pronouncement gives rise to two speculations. The first is that these values are still absent in Malay culture. The second is that the government is still grappling with how to instill these values into Malays, believing that "a solution" is there but groping for a way to bring it about.

Incidentally, the cultural hypothesis usually blames the weak-spirited small Malay entrepre-

---

31) The one associated with agrarian folks (commoners) stresses values like cooperation and conformity, while the more influential one accruing to the aristocracy emphasizes values such as power, initiative, and individualism [Alatas 1968: 153].

32) The Look East Policy presumably covers South Korea as well. Incidentally, the prime minister insists that the policy continues to this day [*Star*, 30th May 1999] while simultaneously announcing that Malaysia does not want to emulate the type of leadership and decision making of the Japanese [*Straits Times*, 29th May 1999].

neurs<sup>33)</sup> for business failures. The government shields itself from blame by virtually showering privileges onto the small entrepreneurs. This rules out the lack of opportunities as a cause for business failures. The only logical scapegoats are the culturally weak small entrepreneurs.

#### IV-2 *Cultural Ideology of Entrepreneurial Success*

Since the feudal era, Malays have come to associate wealth accumulation with social status rather than with productivity [Fisk 1982: 20]. This is reflected by an “absence of an ideology of achievement in entrepreneurship in the traditional context” and the inability of Malays to move up the social status through entrepreneurship [Tham 1977: 243].

Sitting at the apex of Malay society is the aristocratic class which has culturally been accepted as the “rightful” wealthy class. Recent political developments enlarged this class to include bureaucrats and politicians with commoner backgrounds. The politically powerful group<sup>34)</sup> has navigated itself to be the overseer of the country’s biggest businesses while consolidating its premier position as the wealthiest and most prestigious of Malays.

This elite group exerted influence on the aspirations of Malays in general. By the 1960s, the “political way . . . was adopted as an unwritten guiding ethos for many young Malays who were keen to become entrepreneurs, or simply to be rich” [Shamsul 1997: 248–249; Alatas 1968]. In other words, the conceptualization and pursuance of wealth is politically based and motivated [Tham 1973: 42].

But times are changing. Malays are seemingly less attracted to the civil service as more of them prefer to seek jobs in the private sectors<sup>35)</sup> [Abdul Rahman 1996: 76; Puthuchear 1987: 108]. They believe that they need not go through the “political way” to gain wealth. However as Sloane [1999: 200] asserted even for these cases, “the powerful lines of (political) access . . . nearly always determine entrepreneurial success in Malay life.” As such, Malay entrepreneurs are inclined to perceive that networking with appropriate political figures to be their key entrepreneurial role<sup>36)</sup> [Sloane 1999: 194]. The reality is that regardless of the preferred channel of entering business, political connections remain a paramount factor in business success.

For those who can neither obtain employment in the civil service nor secure the pertinent connections, getting started in business alone appears to be a formidable task, let alone to be a dynamic entrepreneur. This is reflected by the thoughts of an “unconnected” Malay businessman; “When it comes to getting help to start in business, there are four categories of Malays: first, those with royal connections; second, former senior civil servants who have retired early, know how the system works and readily get contracts, loans and other favors;

33) The weakness in spirit of the Malays is often implicitly described through the use of passive language [see for example, Abdul Maulud 1987; *Information Malaysia Yearbook* 1996: 380].

34) As discussed in Section III.

35) Two reasons for this shift are increased business opportunities under the NEP and the stagnation of promotion in the public sector [Puthuchear 1987: 108].

36) Little attention is paid to “fundamental business issues” that deal with “charts and numbers about capital, sales or profits” [Sloane 1999: 131, 194].

third, politicians; fourth and last, individual entrepreneurs who have drive and ambition but lack friends in the right places" [Gale 1981: 186].

Thus, even before Malays can enter business through the patronage system, they seem poised at the beginning to skip the slow but necessary process of acquiring managerial skills. Once again, a strong BCIC cannot be expected to emerge from these distorted ambitions.

## V Conclusions and the Future

Malays were once portrayed as "weaklings" [Khoo 1992: 59] whose only acceptable solution was protection. In business, this protection was meant to buy time and space to allow Malays to catch up with non-Malays. This, however, has not sufficiently materialized. The BCIC has yet to emerge as a dynamic class.

Although hardly comprehensive, this paper has argued that the endeavor to create a dynamic BCIC was not implemented with due respect to market rationality. The critical factor that undermines market rationality is clearly political intervention. Culture plays a strong secondary role.

The small scale entrepreneurs face so many obstacles that they do not appear to be a dynamic class. Culturally, they do not seem to possess the appropriate values that are compatible with economic rationality. Politically, they are outside the fringes of personal connections with the power elite, and are thus effectively "blocked" in access to business opportunities. They are likely to remain direction-less in the foreseeable future unless "effective guidance" [Abdul Maulud 1987: 58] from the elitist leadership is forthcoming.

It is more likely that the more able and educated Malays achieve dynamism in business. However, the politico-cultural environment prevents them from concentrating their energies on business proper. The over-riding belief of this group is that politics is the only route toward business success.

As to the prospects of a dynamic BCIC emerging from this group, an episode from a recent power tussle within UMNO may be revealing. Seven party stalwarts<sup>37)</sup> were "exposed" to be either holding directorships or owning shares in more than 400 companies combined [*New Straits Times*, 3rd December 1998; *Straits Times*, 11th December 1998a]. Although there were public outcries as to the associations of these politicians with so many companies,<sup>38)</sup> the acting UMNO Youth leader announced that there was no need to be alarmed because "as we all know when *somebody* [italics added] holds a position in a public-listed company, he also holds positions in various subsidiaries" [*Straits Times*, 11th December 1998b].

37) This group, which consists of a former UMNO Youth chief, is being penalized by the establishment through such public exposures for their criticisms of cronyism and nepotism in business dealings. Subsequently, along with the former deputy prime minister, they were castigated from UMNO.

38) Since then, the government has decided that an individual is permitted to hold directorships in only 10 public-listed companies and 15 private companies [*New Straits Times*, 26th April 1999].

In a subsequent report, one of those individuals defended that he held directorships in only 22 companies, and that except for two active companies, the rest were all dormant. Despite the numerous directorships held, this individual nevertheless admitted that he is a *nobody* in the corporate world [*New Straits Times*, 18th December 1998].

It is possible to posit that the forays of these seven politicians cum businessmen are isolated cases. The issue is, if these mediocre ranking officials (although some are quite senior) in the establishment could plug their names into hundreds of companies, one wonders what the more powerful and better positioned officials could and would do for their namesakes. It is thus equally probable that there is a lack of urgency among capable Malays to become serious about improving the business standing of Malays at large.

The NEP has done much to improve the economic status of Malays. It provided the initial momentum for Malays to enter business. However, Malays cannot expect to be pampered and protected infinitely by the NEP. As the prime minister rightly cautioned, "the government is in no hurry to abolish the NEP but we cannot hope that the NEP will continue forever and say that it is our right as bumiputras because this will have a weakening effect on us" [*Star*, 30th June 1999].

Thus, an inevitable follow-up of the NEP is to gradually release over a number of years, the "grips" (in terms of racial quota and other preferential treatment) of the NEP so as to force the Malays to earn their keep. Still, a dynamic BCIC holds the lifeline of the nation. The sooner the Bumiputeras get on with its development, the better it is for the country. The pace of economic development in ethnically fragile Malaysia can only be dictated by the speed of the slower man.

#### Acknowledgement

I thank two anonymous referees and the Editor for their many constructive comments. This research is partly funded by a Japanese Education Ministry grant (#10630115).

#### References

- Abdul Maulud, Yusuf. 1987. Culture Change in Malay Society: From Peasantry to Entrepreneurship. *Crossroads* 3(2/3): 49–65.
- Abdul Rahman, Embong. 1996. Social Transformation, the State and the Middle Classes in Post-Independence Malaysia. *Southeast Asian Studies* 34(3): 56–79.
- Abdul Razak, Ahmad. 1998. Sharing a Smaller Pie. *New Straits Times*, 1st July 1998.
- Adam, C.; and Cavendish, W. 1995. Background. In *Privatizing Malaysia: Rents, Rhetoric, Realities*, edited by K. S. Jomo, pp. 11–41. Boulder: Westview Press.
- Alatas, S. H. 1968. The Grading of Occupational Prestige amongst the Malays in Malaysia. *Journal of the Malaysian Branch of the Royal Asiatic Society* 41(1): 146–156.
- . 1977. *The Myth of the Lazy Native*. London: Frank Cass.
- Ali, S. H. 1981. *The Malays: Their Problems and Future*. Kuala Lumpur: Heinemann Asia.
- Aznam, Suhaini; and McDonald, Hamish. 1989. Ethnic Economics. *Far Eastern Economic Review* 22nd June: 28–33.
- Business Times*, 6th October 1999. Speculators Wrecked Help—Malays Scheme.

- \_\_\_\_\_. 9th October 1999. Malaysian Banks Scramble to Form New Core Groups.
- Chandra, Muzaffar. 1979. *Protector: An Analysis of the Concept and Practice of Loyalty in Leader-led Relationships within Malay Society*. Penang: Aliran.
- \_\_\_\_\_. 1986. Malaysia: Islamic Resurgence and the Question of Development. *Sojourn* 1(1): 56–75.
- Chee, P. L.; Puthuchear, M. C.; and Lee, D. 1979. *A Study of Small Entrepreneurs and Entrepreneurial Development Programmes in Malaysia*. Kuala Lumpur: University of Malaya Press.
- Crouch, H. 1992. Authoritarian Trends, the UMNO Split and the Limits to State Power. In *Fragmented Vision: Culture and Politics in Contemporary Malaysia*, edited by J. S. Kahn and F. K. W. Loh, pp. 21–43. Honolulu: University of Hawaii Press.
- \_\_\_\_\_. 1996. *Government and Society in Malaysia*. Ithaca: Cornell University Press.
- Faaland, J.; Parkinson, J. R.; and Saniman, R. 1990. *Growth and Economic Inequality: Malaysia's New Economic Policy*. Kuala Lumpur: Dewan Bahasa dan Pustaka.
- Fisk, E. K. 1982. Development in Malaysia. In *The Political Economy of Malaysia*, edited by E. K. Fisk and H. Osman-Rani, pp. 1–23. Kuala Lumpur: Oxford University Press.
- Gale, B. 1981. *Politics and Public Enterprise in Malaysia*. Singapore: Eastern Universities Press.
- Gill, R. 1985. *The Making of Malaysia Inc.* Kuala Lumpur: Pelanduk Publications.
- Goh, K. S. 1958. Entrepreneurship in a Plural Economy. *The Malayan Economic Review* 3(1): 1–7.
- Gomez, E. T. 1990. *Politics in Business: UMNO's Corporate Investments*. Kuala Lumpur: FORUM.
- \_\_\_\_\_. 1999. *Chinese Business in Malaysia: Accumulation, Accommodation and Ascendancy*. Surrey: Curzon Press.
- Gomez, E. T.; and Jomo, K. S. 1997. *Malaysia's Political Economy: Politics, Patronage and Profits*. Cambridge University Press.
- Gullick, J. M. 1985. The Entrepreneur in Late 19th Century Malay Peasant Society. *Journal of the Malaysian Branch of the Royal Asiatic Society* 58(1), No. 248: 59–70.
- \_\_\_\_\_. 1988. *Indigenous Political Systems of Western Malaya*. Revised edition. London: The Athlone Press.
- Hara, F. 1991. Malaysia's New Economic Policy and the Chinese Business Community. *The Developing Economies* 29(4): 350–370.
- Heng, P. K. 1992. The Chinese Business Elite in Malaysia. In *Southeast Asian Capitalists*, edited by Ruth McVey, pp. 127–144. New York: Cornell University.
- Hing, A. Y. 1986. Science, Technology, and Development. *Journal of Contemporary Asia* 16(2): 144–180.
- Hofstede, G. 1991. Management in a Multicultural Society. *Malaysian Management Review* 26(1): 3–12.
- Horii, K. 1991. Disintegration of the Colonial Economic Legacies and Social Restructuring in Malaysia. *The Developing Economies* 29(4): 281–313.
- Ikemoto, Y. 1985. Income Distribution in Malaysia: 1957–80. *The Developing Economies* 23(4): 347–367.
- Information Malaysia Yearbook*. 1996. Kuala Lumpur: Berita Publishing.
- Jesudason, J. V. 1989. *Ethnicity and the Economy: The State, Chinese Business, and Multinationals in Malaysia*. Singapore: Oxford University Press.
- Jomo, K. S. 1985. *The Sun Also Sets*. 2nd edition. Kuala Lumpur: Insan.
- \_\_\_\_\_. 1990. *Growth and Structural Change in the Malaysian Economy*. New York: St. Martin's Press.
- \_\_\_\_\_. 1995. Overview. In *Privatizing Malaysia: Rents, Rhetoric, Realities*, edited by K. S. Jomo, pp. 42–60. Boulder: Westview Press.
- Jomo, K. S.; Adam, C.; and Cavendish, W. 1995. Policy. In *Privatizing Malaysia: Rents, Rhetoric, Realities*, edited by K. S. Jomo, pp. 81–97. Boulder: Westview Press.
- Khoo, K. J. 1992. The Grand Vision: Mahathir and Modernization. In *Fragmented Vision: Culture and Politics in Contemporary Malaysia*, edited by J. S. Kahn and F. K. W. Loh, pp. 44–76. Honolulu: University of Hawaii Press.
- Khor, K. P. 1983. *The Malaysian Economy*. Kuala Lumpur: Marican and Sons.
- Levinson, D.; and Ember, M. 1996. *Encyclopedia of Cultural Anthropology*. New York: Henry Holt and

- Company.
- Lim, L. 1998. Cultural Attributes of Malays and Malaysian Chinese: Implications for Research and Practice. *Malaysian Management Review* 33(2): 81-88.
- Lim, M. H. 1981. *Ownership and Control of the One Hundred Largest Corporations in Malaysia*. Kuala Lumpur: Oxford University Press.
- \_\_\_\_\_. 1985. Contradictions in the Development of Malay Capital: State, Accumulation and Legitimation. *Journal of Contemporary Asia* 15(1): 37-63.
- Mahathir, M. 1970. *The Malay Dilemma*. Singapore: Asia Pacific Press.
- \_\_\_\_\_. 1984. Malaysia Incorporated and Privatization: Its Rationale and Purpose. In *Malaysia Incorporated and Privatization: Towards National Unity*, edited by Mohd. N. A. Ghani *et al.*, pp. 1-7. Kuala Lumpur: Pelanduk Publications.
- Malaysia. 1971. *Second Malaysia Plan 1971-1975*. Kuala Lumpur: Government Printers.
- \_\_\_\_\_. 1991. *Sixth Malaysia Plan 1991-1995*. Kuala Lumpur: National Printing Department.
- Malek, M. 1987. Review of the NEP from the Private Sector Perspective. Paper presented at the Gemaputra Economic Congress, "Dasar Ekonomi Baru Selepas 1990," 24-26 March, Kuala Lumpur.
- Means, G. P. 1991. *Malaysian Politics: The Second Generation*. Singapore: Oxford University Press.
- Mehmet, O. 1986. *Development in Malaysia: Poverty, Wealth and Trusteeship*. London: Croom Helm.
- Mohd Fauzi, H. Yaacob. 1988. The Development of Malay Entrepreneurship since 1957: A Sociological Overview. In *Economic Performance in Malaysia: The Insiders View*, edited by Manning Nash, pp. 129-158. New York: Professors World Peace Academy.
- Mohd Yusof, Ismail. 1987. Malaysia's New Economic Policy: Its Impact on Urban, Regional and Sectoral Distribution of Income, Inequality and Poverty. Ph. D. thesis, Cornell University.
- Nagata, J. A. 1972. Muslim Entrepreneurs and the Second Malaysia Plan: Some Socio-Cultural Considerations. *Asia Research Bulletin* 2(4): 1139-1142.
- \_\_\_\_\_. 1974. What Is a Malay? Situational Selection of Ethnic Identity in a Plural Society. *American Ethnologist* 1: 331-350.
- New Straits Times*, 11th November 1998. Malaysian Youth Council to Look into Traders' Failure to Obtain Loans.
- \_\_\_\_\_, 3rd December 1998. Zahid Name Listed under More than 100 Companies.
- \_\_\_\_\_, 18th December 1998. Ruslan Says He Is Director of 22 Firms, but Many Dormant.
- \_\_\_\_\_, 9th January 1999. Daim Returns to the Helm of Finance Ministry.
- \_\_\_\_\_, 26th April 1999. Up to 10 Directorships in Listed Firms.
- Norazit, S. 1986. The Emergence of Commodity Product in a Malay District: Muar, Johor. *Journal of Contemporary Asia* 16(3): 320-341.
- Norfadzillah, H. 1994. Bumiputera Entrepreneurship: An Evaluation of the Entrepreneurship Training Programs Conducted by MARA and MEDEC. Ph. D. thesis, University of Hawaii.
- Onozawa, J. 1991. Restructuring of Employment Patterns under the New Economic Policy. *The Developing Economies* 29(4): 314-329.
- Parkinson, B. K. 1975. Non-economic Factors in the Economic Retardation of the Rural Malays. In *Readings on Malaysian Economic Development*, edited by David Lim, pp. 332-340. Kuala Lumpur: Oxford University Press.
- Popenoe, O. 1975. A Study of Malay Entrepreneurship. In *Readings on Malaysian Economic Development*, edited by David Lim, pp. 350-359. Kuala Lumpur: Oxford University Press.
- Puthuchear, M. 1987. The Administrative Elite. In *Government and Politics of Malaysia*, edited by Zakaria Haji Ahmad, pp. 94-110. Singapore: Oxford University Press.
- Raja Mohammed, Affandi. 1978. *Public Enterprises in Malaysia: Roles, Structure and Problems*. Malaysian Center for Development Studies Occasional Paper Number 6. Kuala Lumpur: Government Printers.
- Roth, W. R. 1980. *The Origins of Malay Nationalism*. Kuala Lumpur: Penerbit Universiti Malaya.
- Searle, P. 1999. *The Riddle of Malaysian Capitalism: Rent-seekers or Real Capitalists?* NSW, Australia: Allen and Unwin.
- Senu, A. R., *et al.* 1970. *Revolusi Mental* [Mental Revolution]. Kuala Lumpur: Utusan Publications.
- Shamsul, A. B. 1988. The "Battle Royal": The UMNO Elections of 1987. *Southeast Asian Affairs*: 170-

188.

- \_\_\_\_\_. 1997. The Economic Dimension of Malay Nationalism: The Socio-historical Roots of the New Economic Policy and Its Contemporary Implications. *The Developing Economies* 35(3): 240–261.
- Siddique, S. 1981. Some Aspects of Malay-Muslim Ethnicity in Peninsular Malaysia. *Contemporary Southeast Asia* 3(1): 76–87.
- Sieh, L. M. L. 1992. The Transformation of Malaysian Business Groups. In *Southeast Asian Capitalists*, edited by Ruth McVey, pp. 103–126. New York: Cornell University.
- Sloane, P. 1999. *Islam, Modernity and Entrepreneurship among the Malays*. London: MacMillan.
- Snodgrass, D. R. 1980. *Inequality and Economic Development in Malaysia*. Kuala Lumpur: Oxford University Press.
- Star*, 30th May 1999. Look East Policy to Continue.
- \_\_\_\_\_, 30th June 1999. Dr M: Big Projects Only for the Capable.
- Straits Times*, 11th December 1998a. Anwar Allies Linked to over 300 Companies.
- \_\_\_\_\_, 11th December 1998b. No Need for Zahid to Explain.
- \_\_\_\_\_, 29th May 1999. Indecisive Japan Government No Help to Region.
- \_\_\_\_\_, 13th October 1999. Mahathir Asks Chinese to Help Malays Recoup Losses.
- Supian, H. A. 1988. Malaysia. In *The Growing Sector: Studies of Public Sector Employment in Asia*, edited by G. Edgren, pp. 99–146. New Dehli: ILO-ARTEP.
- Swettenham, F. 1955. *British Malaya: An Account of the Origin and Progress of British Influence in Malaya*. London: George Allen and Unwin.
- Tham, S. C. 1973. Ideology, Politics and Economic Modernization: The Case of the Malays in Malaysia. *Southeast Asian Journal of Social Science* 1(1): 41–59.
- \_\_\_\_\_. 1977. *Malays and Modernization: A Sociological Interpretation*. Singapore: Singapore University Press.
- Time*, 15th June 1998. Broken Dreams, pp. 18–25.
- Torii, T. 1997. The New Economic Policy and the United Malays National Organization: With Special Reference to the Restructuring of Malaysian Society. *The Developing Economies* 35(3): 209–239.
- Wheelwright, E. L. 1965. *Industrialization in Malaysia*. Melbourne University Press.
- Yasuda, N. 1991. Malaysia's New Economic Policy and the Industrial Coordination Act. *The Developing Economies* 29(4): 330–349.
- Yoshihara, K. 1988. *The Rise of Ersatz Capitalism in South-east Asia*. Singapore: Oxford University Press.